

National Association of Foreign-Trade Zones
National Press Building
529 14th Street NW, Suite 1071
Washington, DC 20045
202.331.1950



FOR IMMEDIATE RELEASE

June 28, 2017

For More Information Contact:

Jarmila Zapata, NAFTZ
202-331-1950 jzapata@naftz.org

**National Association of Foreign-Trade Zones President Erik Autor
Testifies at NAFTA Renegotiation Hearing**

***Association Calls for Changes to NAFTA Agreement and Implementing Legislation
to Correct Unintended Consequences That Harm U.S.-Based Firms***

Washington, D.C. – National Association of Foreign-Trade Zones (NAFTZ) President Erik Autor testified today at a Washington hearing convened by the Office of the United States Trade Representative to receive comments on the proposed modernization of the North American Free Trade Agreement (NAFTA). The hearing follows United States Trade Representative Robert Lighthizer’s May 18 notification to Congress that President Trump intends to renegotiate NAFTA in an effort to support higher-paying jobs in the United States and to grow the U.S. economy by improving U.S. opportunities to trade with Canada and Mexico.

In his testimony, Mr. Autor stated that “NAFTZ supports updating NAFTA to give American companies and workers new opportunities for growth and prosperity, reflect commerce and the economy of the 21st Century, and position the FTZ program to be even more effective in promoting American jobs and competitiveness.” However, he informed the panel that current provisions in the NAFTA itself and the 1993 U.S. NAFTA implementing legislation put U.S.-based FTZ manufacturers at a competitive disadvantage to manufacturers exporting from Mexico and Canada.

Mr. Autor cited two specific examples:

- NAFTA Article 303 and the Foreign-Trade Zones Act’s section on duty deferral [sixth proviso of 19 U.S.C. §81c(a)] treat U.S. exports from an FTZ to Canada and Mexico initially as imports into the United States, requiring payment of U.S. duties before export. Canadian and Mexican exporters do not face similar requirements, which have the effect of disadvantaging U.S. manufacturers vis-à-vis their Mexican and Canadian competitors, and discouraging American manufacturing and exports. The NAFTZ recommends that these restrictions should be eliminated.
- Restrictions in NAFTA rules of origin on U.S. FTZs put some U.S.-based FTZ manufacturers into unbalanced duty competition from NAFTA imports, thereby undermining the very purpose of the FTZ program. Specifically, by excluding goods

produced in a U.S. FTZ from qualifying for NAFTA preferential-duty treatment when entered into the United States, the 1993 NAFTA implementing legislation [19 U.S.C. §3332(a)(2)(A)] denies U.S. manufacturers similar duty treatment on components used in U.S. FTZ-based production to that provided to producers in Mexico and Canada. As a result, a U.S.-based FTZ manufacturer making a product (e.g., radiators) for U.S. consumption that meets the NAFTA rule of origin must still pay U.S. duty on any non-NAFTA components (e.g., radiator hoses), whereas a Mexican-based manufacturer making the same product with identical components from the same suppliers can export that product to the United States duty free. The result is an unintended incentive to relocate production from the United States to Mexico. The NAFTAZ recommends that this provision be repealed by Congress. No changes would be required in the actual NAFTA agreement to correct this problem

Mr. Autor also pointed out that the FTZ program was specifically designed to help U.S.-based manufacturers overcome tariff-inversion situations – where duties an American manufacturer must pay on inputs it imports to make a final product in the United States are higher than the duty imposed on an identical final product imported from a foreign country. The NAFTAZ recommends a clear directive from Congress that inverted tariffs created by the NAFTA should be addressed through the Foreign-Trade Zones program for qualifying goods manufactured in the United States.

Finally, Mr. Autor stressed that it is critically important to keep the existing NAFTA provision [Annex 201.1(c)(ii) and 19 U.S.C. § 3332(p)(31)] confirming that U.S. FTZs are a constituent part of the NAFTA territory even though they are considered outside U.S. customs territory.

Mr. Autor underscored the importance of the U.S. Foreign-Trade Zones program, which accounts for a significant portion of total U.S. trade - 5.6 percent (\$84.6 billion) of U.S. goods exports and 10.8 percent (\$244.8 billion) of U.S. goods imports in 2015. Over 420,000 American workers are employed at FTZs in all fifty states and Puerto Rico.

Erik Autor was appointed president of the NAFTAZ in August 2016. He previously served as an international business consultant, as vice president and international trade counsel at the National Retail Federation, and as international trade counsel to the U.S. Senate Committee on Finance.

About the National Association of Foreign-Trade Zones

The National Association of Foreign-Trade Zones (NAFTZ) is the collective voice of the U.S. Foreign-Trade Zones Program. The NAFTAZ is the program's principal educator and the leader in demonstrating the program's value and role in the changing environment of international trade. NAFTAZ is instrumental in supporting economic development objectives and the global competitiveness of its public and private members by providing a forum for disseminating

relevant information and advocacy support on international trade issues. For more information, visit [NAFTZ's website](#), [Twitter](#), and [Facebook](#) pages.